



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 22, 2009

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS 25A
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Report—City of Oceanside, California Integrated Waste Management Board Used Oil Block Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of Oceanside's (City) Used Oil Block Grant agreements as follows:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG10-04-149	July 1, 2004 to June 30, 2007	\$ 45,751
UBG11-05-30	July 1, 2005 to June 30, 2008	\$ 45,356

The enclosed report is for your information and use. After review of the draft report, the City chose not to provide a written response.

In accordance with Finance's policy of increased transparency, this report will be placed on our website. We appreciate the assistance and cooperation of the City's staff. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Zachary Stacy, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. Joseph Arranaga, Deputy Director, Public Works Department, City of Oceanside
Ms. Colleen Foster, Management Analyst, Public Works Department, City of Oceanside
Ms. Shirley Willd-Wagner, Manager, Financial Assistance Division, California Integrated
Waste Management Board
Ms. Susan Villa, Branch Manager, Administration and Finance Division, California
Integrated Waste Management Board
Ms. Corky Mau, Branch Manager, Financial Assistance Division, California Integrated
Waste Management Board
Mr. Loreto Tamondong, Grant Manager, Grant Programs – B, Grant and Loan
Resources Branch, California Integrated Waste Management Board
Mr. Calvin Young, Supervisor, Grant Programs – B, Grant and Loan Resources Branch,
California Integrated Waste Management Board
Mr. George Mendoza, Audit Manager, Audits and Evaluations Unit, California Integrated
Waste Management Board

A GRANT AUDIT

City of Oceanside

Grant Agreements
UBG10-04-149
and UBG11-05-30

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Zachary Stacy
Supervisor

Staff
Alexander Cheng

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

TABLE OF CONTENTS

A Grant Audit	1
Results.....	3

BACKGROUND

As the state's recycling and waste reduction authority, the California Integrated Waste Management Board (Board) implements programs to reduce waste generation, divert materials from landfills, recover resources, remediate illegal sites, and ensure compliance with applicable state standards. The Board's used oil recycling grant program provides funding for efforts to reduce the amount of illegally disposed used oil and establish sustainable used oil recycling programs.

The City of Oceanside (City) was incorporated in 1888 and is a coastal community located in northern San Diego County. The City's Public Works Department maintains the transportation system, streetlights, public landscaping, parks, public buildings, and municipal airport. Special emphasis is placed on services to neighborhoods including solid waste clean-up, recycling materials, street sweeping, graffiti control, and coordination of capital projects.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted a compliance audit of the City's Used Oil Block Grants listed below.

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG10-04-149	July 1, 2004 to June 30, 2007	\$ 45,751
UBG11-05-30	July 1, 2005 to June 30, 2008	\$ 45,356

The audit objective was to determine whether the City's grant revenues and expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls.

The City is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations and grant requirements. We did not assess the efficiency or effectiveness of program operations. The Board is responsible for evaluating the efficiency and effectiveness of the program operations.

METHODOLOGY

To determine whether grant revenues and expenditures were in compliance with applicable laws, regulations, and grant requirements, we performed the following procedures:

- Interviewed key personnel.
- Obtained an understanding of the grant related internal controls.
- Examined the grant files.
- Reviewed the City's accounting records.
- Determined whether a sample of expenditures were:
 - Allowable
 - Grant related
 - Incurred within the grant period
 - Supported by accounting records
 - Properly recorded
 - Not double billed to other Board grants
- Determined whether interest earned on grant funds was reported and expended on eligible grant activities.

The results of our audit are based on our review of documentation, other information made available to us, and interviews with City staff. The audit was conducted from November 2008 through March 2009.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and recommendations.

Based on the audit procedures performed, the City of Oceanside's expenditures were in compliance with applicable laws, regulations, and the grant requirements. Revenues earned on advanced funds for UBG10-04-149 were expended for eligible grant activities. The City did not receive advanced funds for UBG11-05-30. While the audit did not result in questioned costs, two issues requiring corrective action were identified. The claimed, audited, questioned amounts and findings for each grant are presented below.

Table 1: Schedules of Claimed, Audited, and Questioned Amounts

Grant Agreement Number UBG10-04-149 For the Period July 1, 2004 through June 30, 2007			
Categories	Claimed ¹	Audited	Questioned
Permanent Collection	\$ 4,326	\$ 4,326	\$ 0
Publicity/Education	38,499	38,499	0
Personnel/Other	4,612	4,612	0
Total	\$ 47,437	\$ 47,437	\$ 0

Grant Number UBG11-05-30 For the Period July 1, 2005 through June 30, 2008			
Categories	Claimed	Audited	Questioned
Permanent Collection	\$ 5,726	\$ 5,726	\$ 0
Publicity/Education	33,920	33,920	0
Personnel/Other	5,710	5,710	0
Total	\$ 45,356	\$ 45,356	\$ 0

FINDING 1: The City's and State's Financial Interests Could Be at Risk Because the City Does Not Have a Written Contract with the Used Oil Block Grant Consultant

The consultant provides multiple services to the City including services for the used oil block grants. For the used oil grants, the consultant selects vendors, coordinates activities for the outreach program, and prepares the Expenditure Itemization Summary Form that the City submits to the California Integrated Waste Management Board (Board) for payment. The City is responsible to ensure that all expenditures claimed are in accordance with the used oil grant agreement, including the consultant expenditures. Effective management controls require a written agreement that includes the roles and responsibilities of the City and the consultant, services the consultant will provide, and specific

¹ The \$1,686 difference between the awarded and claimed amounts represents interest revenue earned on advanced funds, which is available for other program expenditures.

billing rates to protect the interests of both the City and the Board. Without a written agreement, the City may not be able to hold the consultant responsible for performing specific activities or require approved billing rates.

Recommendation: The City should execute a written agreement between the City and the used oil grant consultant that includes the roles and responsibilities of the City and the consultant, services the consultant will provide, and specific billing rates.

FINDING 2: The City Claimed and Received \$33,591 for Consultant Costs that Were Not Disbursed to the Consultant for Eight Months.

Reimbursement for the UBG11-05-30 Grant Payment Request Numbers 1 and 2, in the amounts of \$15,013 and \$18,578, were received by the City on August 15, 2007. However, the consultant invoices were not paid by the City until April 15, 2008, approximately eight months after receiving payment from the Board. The Grant Agreement Procedures and Requirements states that for expenditures to be eligible for reimbursement, all costs must be incurred and paid.

Recommendation: The City should implement procedures to ensure that only expenditures incurred and paid are included in the Grant Payment Requests.